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Aetna-Goldale  
Investments Limited

*Annual Report*

For the Year Ended December 31st, 1971

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# Aetna-Goldale Investments Limited

Incorporated under the laws of British Columbia

## Officers and directors

Kenneth A. Roberts, M.D. .... President and Director

C. F. Watson ..... Vice-President and Director

R. A. C. Douglas ..... Secretary and Director

P. C. Finlay, Q.C. .... Director

Burton Winberg ..... Director

Stanley A. Senn, C.A. .... Comptroller

## Solicitors

Douglas, Symes & Brissenden, Vancouver, B.C.

### EXECUTIVE OFFICE

2400 Bank of Nova Scotia Building  
44 King Street West, Toronto 105, Ontario

### GENERAL OFFICE

170 Kennedy Road South, Brampton, Ontario

### REGISTERED OFFICE

409 Granville Street, Vancouver 2, B.C.

# Aetna-Goldale Investments Limited

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## TO THE SHAREHOLDERS:

On behalf of your Board of Directors I am pleased to enclose herewith the 38th Annual Report of the Company for the year ended December 31, 1971.

The net income for the year ended December 31, 1971 totalled \$120,773 or \$0.05 per share. This profit includes the profit of our wholly owned subsidiary Millmink Developments Limited, plus our equity in the income of Ontario Trust Company.

On April 19, 1972, your Company sold its investment of 432,198 shares in Ontario Trust Company to Canadian Goldale Corporation Limited at \$9.00 per share, for a total amount of \$3,889,782. The amount receivable was applied against the debt owed by your Company to its parent (Canadian Goldale).

On behalf of your Board,

KENNETH A. ROBERTS,  
President.



# Aetna-Goldale Investments Limited

(Incorporated under the laws of British Columbia)

## and its Subsidiary

### CONSOLIDATED BALANCE SHEET

DECEMBER 31, 1971

#### ASSETS

	1971	1970
Cash .....	\$ 196,255	\$ 31,298
Accounts receivable .....		1,009,036
Mortgages receivable and balance due under agreements of sale (note 4) .....	1,018,440	3,861,054
Land held for development and sale, at cost .....	6,874,521	4,223,451
Investment in joint realty developments (note 5) .....	1,037,305	3,049,245
Income-producing property, at cost (less accumulated depreciation, 1971, \$95,964; 1970, \$41,292) (note 6) .....	9,012,630	8,931,208
Other fixed assets, at cost (less accumulated depreciation, 1971, \$36,933; 1970, \$29,636) .....	20,900	12,176
Investment in affiliated company (notes 7 and 14) .....	4,125,961	3,780,298
Prepaid expenses and sundry assets .....	115,651	85,698
	<u>\$22,401,663</u>	<u>\$24,983,464</u>

#### LIABILITIES

	1971	1970
Bank indebtedness (note 8) .....	\$ 1,056,881	\$ 663,324
Accounts payable and accrued expenses .....	439,836	1,617,351
Income taxes payable .....	—	178,816
Mortgages payable and balances due under agreements to purchase (note 9) .....	7,027,859	6,475,365
Notes payable (note 10) .....	3,800,000	4,000,000
Advances from parent company .....	5,741,199	6,215,896
Deferred income taxes .....	830,010	603,608
Deferred profit on land sale .....	—	1,843,999

#### SHAREHOLDERS' EQUITY

Capital stock		
Authorized		
3,500,000 common shares of 50¢ par value each		
Issued (note 11)		
2,492,000 shares .....	1,246,000	1,246,000
Contributed surplus .....	648,301	648,301
Retained earnings .....	1,611,577	1,490,804
	<u>3,505,878</u>	<u>3,385,105</u>
	<u>\$22,401,663</u>	<u>\$24,983,464</u>

The accompanying notes are an integral part of this financial statement.

Approved on behalf of the Board,  
KENNETH A. ROBERTS, Director  
CHARLES F. WATSON, Director

# Aetna-Goldale Investments Limited and its Subsidiary

## CONSOLIDATED STATEMENT OF INCOME FOR THE YEAR ENDED DECEMBER 31, 1971

	1971	1970 (Restated)
Gross revenue		
Rentals .....	\$ 1,200,749	\$ 744,204
Land sales .....	454,354	1,090,000
Townhouse sales .....	2,270,985	854,934
Interest income .....	325,794	403,806
Equity in income of affiliated company .....	259,862	82,273
	<u>\$ 4,511,744</u>	<u>\$ 3,175,217</u>
Net operating income		
Net rental income before depreciation .....	\$ 314,274	\$ 203,150
Profit on land sales before write-off of \$373,708 shown below .....	247,491	277,410
Profit on townhouse sales .....	230,384	142,215
Interest income .....	325,794	403,806
Equity in income of affiliated company .....	259,862	82,273
	<u>1,377,805</u>	<u>1,108,854</u>
Administrative and general expenses .....	317,631	181,367
Interest expense .....	246,725	150,693
Depreciation .....	61,968	28,772
Loss on cancellation of land purchase options .....	—	11,600
	<u>626,324</u>	<u>372,432</u>
	751,481	736,422
Write-off on termination of agreement with developer of Forest Hills project .....	373,708	—
	<u>377,773</u>	<u>736,422</u>
Income before income taxes and extraordinary item .....		
Income taxes		
Current .....	127,098	319,500
Deferred .....	226,402	162,000
	<u>353,500</u>	<u>481,500</u>
Net income before extraordinary item .....	24,273	254,922
Income tax reduction realized on carry-forward of losses from prior years .....	96,500	35,500
	<u>120,773</u>	<u>290,422</u>
Net income for the year .....	<u>\$ 120,773</u>	<u>\$ 290,422</u>
Earnings per share		
Net income before extraordinary item .....	\$0.01	\$0.11
Extraordinary item .....	0.04	0.01
	<u>\$0.05</u>	<u>\$0.12</u>
Net income for the year .....		



# Aetna-Goldale Investments Limited and its Subsidiary

## CONSOLIDATED STATEMENT OF RETAINED EARNINGS FOR THE YEAR ENDED DECEMBER 31, 1971

	1971	1970 (Restated)
Balance, beginning of the year .....	\$ 1,490,804	\$ 1,200,382
Net income for the year .....	120,773	290,422
Balance, end of the year .....	<u>\$ 1,611,577</u>	<u>\$ 1,490,804</u>

## CONSOLIDATED STATEMENT OF SOURCE AND USE OF FUNDS FOR THE YEAR ENDED DECEMBER 31, 1971

	1971	1970 (Restated)
Source of funds		
Current operations		
Net income for the year .....	\$ 120,773	\$ 290,422
Non-cash items included in the determination of net income (note 13) .....	423,812	159,357
	544,585	449,779
Decrease in accounts receivable .....	812,781	(930,443)
Mortgage receivable collections .....	283,694	917,608
Decrease in investment in joint realty developments .....	295,259	(421,638)
Increase in bank indebtedness .....	424,855	21,844
Mortgage proceeds .....	—	3,500,000
	<u>\$ 2,361,174</u>	<u>\$ 3,537,150</u>
Use of funds		
Additions to income-producing property .....	\$ 136,093	\$ 4,025,805
Investment in affiliated company .....	107,397	494,034
Decrease in accounts payable .....	1,177,515	(540,257)
Decrease in income taxes payable .....	178,816	347,311
Repayments of mortgage principal .....	60,726	516,982
Reduction of notes payable .....	200,000	2,000,000
Decrease in advances from parent company .....	474,697	(3,490,896)
Net change in other assets and liabilities .....	25,930	184,171
	<u>\$ 2,361,174</u>	<u>\$ 3,537,150</u>

# Aetna-Goldale Investments Limited

## and its Subsidiary

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1971

#### 1. CHANGE OF NAME

In 1971 the name of the company was changed from Aetna Investment Corporation Limited to Aetna-Goldale Investments Limited.

#### 2. PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of Millmink Developments Limited, a wholly-owned subsidiary.

Central Ontario Trust & Savings Corporation, a wholly-owned subsidiary at December 31, 1970, amalgamated with Northland Trust Company at December 31, 1971 to form Ontario Trust Company. The company's investment in Ontario Trust Company is shown under "investment in affiliated company".

#### 3. CHANGE IN ACCOUNTING PRACTICE

The company has adopted retroactively the research recommendations of the Canadian Institute of Chartered Accountants which require that the write-off of the excess cost of a subsidiary's shares over the book value of its underlying assets be reported as an element in the determination of annual income rather than being a direct charge to retained earnings. The effect of this change is to reduce reported income in 1971 and 1970 by \$473,645 and \$239,920 respectively, such reduction relating to profit on land sales.

#### 4. MORTGAGES RECEIVABLE AND BALANCES DUE UNDER AGREEMENTS OF SALE

	<u>1971</u>	<u>1970</u>
Mortgages receivable .....	\$ 982,865	\$ 410,529
Balances due under agreements of sale .....	<u>35,575</u>	<u>3,450,525</u>
	<u>\$ 1,018,440</u>	<u>\$ 3,861,054</u>

#### 5. INVESTMENT IN JOINT REALTY DEVELOPMENTS

The company is a partner in three joint realty developments under which 319 dwelling units have been constructed. At December 31, 1971, these joint realty developments had assets of \$3,192,583 and liabilities of \$1,728,512.

#### 6. INCOME-PRODUCING PROPERTY

Depreciation on the building portion of this property is calculated according to the sinking fund method under which an increasing amount, consisting of a fixed annual sum together with interest compounded at the rate of 5% per annum, is charged to income in order to depreciate the buildings fully over a period of 40 years.



# Aetna-Goldale Investments Limited

## and its Subsidiary

### 7. INVESTMENT IN AFFILIATED COMPANY

	<u>1971</u>	<u>1970</u>
Ontario Trust Company (or its predecessors – note 2)		
432,198 shares .....	\$ 4,125,961	\$ 3,780,298

At December 31, 1971 the net assets of Central Ontario Savings & Loan Corporation were purchased by Ontario Trust Company for a consideration of the issued shares of Ontario Trust Company. Central Ontario Savings & Loan Corporation distributed such shares to its shareholders. As noted in note 2, the company also received shares of Ontario Trust Company for its holdings of Central Ontario Trust & Savings Corporation. The investment is carried at cost plus \$299,752 being the company's share of undistributed earnings since acquisition. There was no quoted market value for the shares of Ontario Trust Company at December 31, 1971 as the stock was not listed on the Toronto Stock Exchange until January 6, 1972.

### 8. BANK INDEBTEDNESS

In addition to the \$1,056,881 shown on the balance sheet, the company is obligated to the bank for \$4,599,250 in connection with letters of credit given as security for the notes payable to former shareholders of Millmink Developments Limited. The \$4,599,250 will become payable as the notes fall due and includes the maximum interest which may accrue after December 31, 1971. As security for its total obligations to the bank, the company has pledged the shares of Millmink Developments Limited and 428,555 shares of Ontario Trust Company.

### 9. MORTGAGES PAYABLE AND AMOUNTS DUE UNDER AGREEMENTS TO PURCHASE

	<u>1971</u>	<u>1970</u>
Mortgages on income-producing property		
6¾% due January 15, 1991 .....	\$ 2,128,797	\$ 2,182,425
10½% due September 25, 1972 .....	3,500,000	3,500,000
	<u>5,628,797</u>	<u>5,682,425</u>
Balances owing under agreements to purchase .....	1,399,062	792,940
	<u>\$ 7,027,859</u>	<u>\$ 6,475,365</u>

Principal amounts repayable within the next five years under the above mortgages and purchase agreements are as follows:

1972	\$3,574,000	1975	\$89,000
1973	\$78,000	1976	\$92,000
1974	\$83,000		

### 10. NOTES PAYABLE

The notes payable bear interest at the rate of 3¼%, increasing to 5% on May 1, 1972 and to 7% on May 1, 1974, payable half-yearly. \$250,000 of the notes becomes payable on April 30, 1972 and \$500,000 on April 30 in each of the three succeeding years, with the balance payable April 30, 1976. The notes are secured by letters of credit drawn on a Canadian chartered bank as explained in note 8.

# Aetna-Goldale Investments Limited

## and its Subsidiary

### 11. CAPITAL STOCK

Shares were issued as follows (none during the year ended December 31, 1971):

For property and services .....	630,000 shares
For cash .....	1,862,000 shares
	<u>2,492,000 shares</u>

### 12. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

No direct remuneration was paid or payable by the company to any director or senior officer during the year ended December 31, 1971.

### 13. NON-CASH ITEMS INCLUDED IN THE DETERMINATION OF NET INCOME

	<u>1971</u>	<u>1970</u>
Depreciation .....	\$ 61,968	\$ 28,772
Deferred income taxes .....	226,402	162,000
Loss of deposit on land purchase .....	—	11,600
Equity in income of affiliate less dividends received .....	(238,266)	(43,015)
Write-off on termination of agreement with developer of Forest Hills project .....	373,708	—
	<u>\$ 423,812</u>	<u>\$ 159,357</u>

Certain 1970 figures have been reclassified to make them comparable with 1971.

### 14. EVENTS SUBSEQUENT TO DECEMBER 31, 1971

On April 19, 1972 the company sold its investment in 432,198 shares of Ontario Trust Company to its parent, Canadian Goldale Corporation Limited, for \$3,889,782. The company's indebtedness to its parent was reduced by the amount of the said sale.



## AUDITORS' REPORT

To the Shareholders,  
Aetna-Goldale Investments Limited.

We have examined the consolidated balance sheet of Aetna-Goldale Investments Limited and its subsidiary as at December 31, 1971 and the consolidated statements of retained earnings, income and source and application of funds for the year then ended. Our examination of the financial statements of Aetna-Goldale Investments Limited included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. We have relied on the report of the auditors who have examined the financial statements of the subsidiary.

In our opinion, these consolidated financial statements present fairly the financial position of the companies as at December 31, 1971 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied, after giving retroactive effect to the change in accounting policy referred to in note 3 to the financial statements, on a basis consistent with that of the preceding year.

COLLINS, LOVE, EDDIS, VALIQUETTE & BARROW,  
Chartered Accountants.

Toronto, Canada,  
April 24, 1972.



